

1 transferring the licenses, and the Commission
2 basically just followed the court order.

3 (Whereupon, the above-entitled
4 matter went off the record at 10:35 a.m. and
5 resumed at 10:36 a.m.)

6 BY MR. OSHINSKY:

7 Q We had arrived at the point where
8 the court had ordered the transfer of the
9 license and the FCC, to your knowledge,
10 complied with that court order.

11 A Oh, yes.

12 Q Okay. Go on.

13 A All right. So I'm working with
14 Telecellular, Inc. Initially, I'm a director
15 and an officer, and of course I run into
16 problems because of my legal difficulties in
17 the past, very recent past at that point. So
18 in May of 1997, I said I can't operate this
19 way. I can't be in these positions. So I'm
20 told this by different people. Tom Moore, a
21 person I've been working with--he was an
22 investment banker in Dallas. And some

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 attorneys--Ken Dunn, different people. So I
2 said I'm going to become a consultant.

3 So a year earlier, I had been
4 working with Mr. Austin on--he and I had an
5 idea of going into auction 11, which was the
6 PCS auction, and he formed a company called
7 One Source Communications in 1996. And in
8 doing so, we hired a law firm here, in D.C.,
9 called Dickstein, Shapiro, Morin & Oshinsky.
10 And they looked at the situation and they
11 were--Jacob Farber was one of the--he was an
12 associate attorney at the time.

13 He was going to do the Form 175
14 for one source, and he was also doing a 175
15 for a company that the people in Puerto Rico
16 wanted, Caribbean Personal Communications.

17 And at that point is when we
18 looked at how I could participate, and they
19 got the corporate--they got their corporate
20 lawyers involved and looked at the rules, both
21 for the SEC rules and the FCC rules.

22 And Farber got one attorney whose

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 name is Ken Morrow, and a couple other people,
2 on a conference call, and we read the rules
3 and the only thing we could look at that
4 seemed to work was coming like with a voting
5 trust and have the shares in one source be put
6 in the trust, and they explained all the
7 rules, and they draft up a form, voting trust
8 agreement, that they faxed over to me at June
9 McNally's house.

10 One source, we didn't get the
11 money, we didn't go into the auction and bid.
12 The 175 got filed with the Commission. That
13 would have been in July of--it would have been
14 July or August of 1996.

15 So when it became apparent I was
16 going to have to be a consultant to
17 Telecellular, Inc., we did the same thing. We
18 took the voting trust agreement that we had,
19 and the rules were--the first rule was that a
20 trustee had to be totally independent.

21 So June McNally picked somebody
22 she knew, that I didn't know existed. The

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 guy's name is Richard Hodak. Richard S.
2 Hodak. Was a gentleman lived up in, I believe
3 Kansas, that she'd known for some time. He
4 became my voting trustee. The shares that I
5 had in Telecellular, Inc., I put into a voting
6 trust.

7 Telecellular, Inc. got a board of
8 directors. They got other people that became
9 the officers. They went into--they filed an
10 application with the Commission to go into
11 auction 16, which was the 800 MHz SMR
12 alternative channels auction.

13 We had an investor who had a lot
14 of money--I mean Telecellular, Inc. did--but
15 he chose not to put up any money, so the
16 company didn't bid in the auction.

17 Q Did it follow 175?

18 A Yes. And that would have been
19 September, October of 1997. Yes, sir.
20 Telecellular, Inc. had contracts with the--had
21 the joint venture agreement, obviously, and
22 had contracts with eight or nine of the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 licensed corps, there were fifteen, and what
2 Telecellular, Inc. was doing in 1996 and '97
3 was working with them, and also I convinced
4 the people at Telecellular, Inc. to try to go
5 after--there were hundreds and hundreds of
6 general category site licenses in Puerto Rico,
7 primarily in San Juan.

8 Metropolitan, which was an
9 application preparation form--

10 Q Let me stop you just for a second.
11 Now these are licenses that would be in
12 addition to the ones that, at this point in
13 time, are controlled by Telecellular, Inc. of
14 Puerto Rico?

15 A Yes, sir.

16 Q Okay. I'm sorry; go ahead.

17 A Well, actually, I think more
18 accurately, they were in dispute between
19 Telecellular, Inc. and Telecellular Puerto
20 Rico.

21 Q I understand that. Okay.

22 A Yes.

1 Q But these are--the licenses you're
2 talking about are--

3 A These are additional licenses and
4 at the time there were 350, believe it or not,
5 licenses down there. You say how can there be
6 so many? These are site licenses, so you can
7 have frequencies in San Juan, have the same
8 frequencies in Mayaguez. I mean they were.
9 You had a lot of licenses in San Juan, some in
10 the middle part of the island, a lot of them
11 on the--in Mayaguez and the area around there.

12 So I contacted Matt Austin, and he
13 was in Palm Springs, and he had a partner,
14 Bobby Goldberg. Bobby Goldberg. And the idea
15 was to see if they were interested in acting
16 as brokers and signing people up, and
17 Telecellular, Inc. would pay \$100 a contract.

18 And so Matt wasn't interested in
19 doing that but Goldberg was. So Goldberg had
20 a contract with Telecellular, Inc. and he
21 signed up about 143 or so licenses to
22 construction management contracts with

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 Telecellular, Inc. for the general category
2 licenses.

3 And later on, there was another
4 gentleman named--that June McNally knew, named
5 Roy Van de Bogart, who did the same thing.
6 The problem was June didn't pay--paid them a
7 little bit of their money and didn't pay the
8 rest, so they stopped--you know--they stopped
9 doing this.

10 But Telecellular, Inc. had
11 contracts with about 143 licenses.

12 In September/October 1997, I was
13 trying to figure out a way to get some money,
14 and I was reading the--

15 Q I'm sorry to interrupt you again.
16 Just to clarify for myself, at this point
17 Telecellular had signed those 140. Those
18 represented 140 licenses or more?

19 A yes.

20 Q Okay. And did Telecellular
21 actually own those licenses or was--

22 A Construction management contracts.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Q Okay.

2 A With options to buy.

3 Q Okay.

4 A Just construction management
5 agreements.

6 Q Go on. I'm sorry.

7 A I'd been working for a year and a
8 half, didn't have any money, wasn't getting
9 paid, and I was looking for an opportunity to
10 make some money. I was reading a FCC order in
11 the--it'd come out in July of 1997 and this
12 involved auction 16, and I was reading through
13 these, and thinking that Telecellular, Inc.
14 ought to go into auction 16, and I noticed
15 about halfway through it, the Commission was
16 waving the anti-trafficking rule for general
17 category channels, and channels--in the lower
18 80 channels, such that folks that had these
19 licenses could sell them for profit without
20 ever having to construct them.

21 And this gave me an idea. And
22 what was happening of course--auction 16 was

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 designed--

2 Q People who had acquired licenses
3 in auction 16 could then turn around and sell
4 them?

5 A This is before auction 16.

6 Q Before sixteen. Okay; go ahead.

7 A These are people that had either
8 general category channels, channels 1 to 150--

9 Q Yes. I understand that rule
10 there, and--

11 A Okay. And the lower 80 channels.
12 the idea was Nextel was going to go in and bid
13 and win the upper 200 channels licenses, the
14 A, B and C blocs. But they needed to clear
15 everybody off. That was part of the rules.
16 They were going to clear everybody off and
17 move them down to the general category
18 channels and lower 80 channels.

19 So my--you know--thinking about
20 this, if--they were going to need these
21 channels down here. So if we went out and
22 bought--if I could get some people interested,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 we could go out and buy the channels down
2 here, package them up and sell them for a big
3 profit to Nextel. Or somebody else, depending
4 on the market.

5 So you're front-running them on
6 the licenses. And it seemed like a great
7 idea. Or either one of these things was
8 either a great idea or a terrible idea,
9 depending on, you know, your analysis.

10 It seemed to me a great idea. So
11 in terms of Telecellular, Inc., they needed
12 the licenses in Puerto Rico but they weren't
13 willing to pay for them. So I was going to
14 have to find somebody who was going to go out
15 and buy them up, package them, and then try to
16 sell them in one block to Telecellular, Inc..

17 The rest of the country didn't
18 involve Telecellular, Inc., and I was trying
19 to figure out, you know, a bunch of people
20 that might be interested in brokering
21 licenses, and I started calling them.

22 And I called Chris Massad, and I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 called Rita Ornstein. I called all these
2 different people. Nobody--are you sure? Yes.
3 Sounds great. Pay me \$100 per contract or per
4 license, and I'm good to go. I said, you
5 know, you forgot the first part of our
6 conversation. Remember, I said I don't have
7 any money but I've got a great idea.

8 They go, oh, no, we don't--don't
9 want to form a--what you got to do is you've
10 got to form a company, make some money, go
11 into a business. Said that's not really what
12 we do. We just tell people we hold the
13 license. So I'm 0 for 20, and I think who do
14 I know that might want to do this? So I
15 called Charles Matthew Austin.

16 And he's in Palm Springs,
17 California, and he's working on something
18 else, and he's in an office with Jay Bishop.
19 And I remembered--I didn't know Bishop but I
20 heard of him. Bobby Goldberg's there. I knew
21 Bobby from the year before, in brokering.
22 Bobby was still interested in brokering

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 licenses.

2 But they all--you know, they
3 talked to him a couple times and they said,
4 yes, we might be interested in doing it. Matt
5 was interested. Jay wasn't interested at all.
6 And said, yes, yes, we might want to do that.

7 So a couple months pass, I talk to
8 them off and on, and they decide, yes, we'll
9 do this. They'll form a company, they'll
10 borrow some money from a guy that Jay knew,
11 and start it off. It turns out the guy was
12 Chuck Guskey, Charles David Guskey, and he
13 wasn't that interested.

14 So I had to go out to his house
15 one night, and he was up in Richardson, Texas,
16 and I'd sit there for hours and explain it to
17 him. And he still wasn't very interested. So
18 I said all right, I'll take you to a board
19 meeting of Telecellular, Inc. and we'll go
20 over, you'll see how this is going to fit and
21 how Telecellular, Inc. is likely to buy these
22 licenses. And so he went to the board meeting

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 as a guest, and the board meeting was on
2 December 13, 1997.

3 And then he was convinced. So he
4 loaned Bishop and Austin a little bit a money,
5 and they formed Preferred in January 1998.

6 Q And who was the board of
7 Telecellular, Inc. at that point?

8 A June McNally--I'd have to go back
9 and look. June McNally. Russell Winchell.
10 Robert Hill. Earl Hine. Paul Conrad.

11 Q Were you on the board?

12 A I was on. I was just a consultant
13 from May 1997 on. So they had about seven or
14 eight people on the board of directors.

15 Q All right. Go on.

16 A So they--the idea was
17 Telecellular, Inc. needed the general category
18 license, and they really needed to buy them,
19 but they didn't want to pay for them, up
20 front, and pay brokers. So the idea was
21 Preferred was going to go out, at least in
22 Puerto Rico, was going to go out, buy up the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 licenses, package them up and sell them to
2 Telecellular, Inc.

3 And I explained--by this point Mr.
4 Austin, Mr. Bishop and I had a verbal
5 agreement that I'd get a third of the sales
6 proceeds, and I told the people at
7 Telecellular, Inc. I had a financial interest
8 in this, and I couldn't negotiate with
9 Preferred because I had a potential--I had a
10 conflict of interest and they were going to
11 have to do this themselves.

12 And they understood that. And so
13 they--Preferred got going and--

14 Q Whose idea was the name?

15 A That was Matt.

16 Q Okay. I'm sorry. Go on.

17 A He told me on the phone one night--
18 -I go, boy, I really don't like that name.
19 Wasn't for me to decide those things. So
20 months go on and they get to about April, and
21 Preferred is claiming it has all these
22 contracts, it wants to sell them to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Telecellular, Inc., and Telecellular, Inc. was
2 supposed to go out and conduct a private
3 offering and raise the money to pay them.

4 And I'm working 80 or 90 percent
5 of the time Telecellular, Inc., and a little
6 bit with Preferred, not much at all, and
7 Telecellular, Inc. gets to the point where
8 either they're going to do this, and raise the
9 money and buy the licenses, or they're not,
10 and they, in April, they--

11 Q April of...?

12 A 1998. They negotiate like a 30
13 day exclusive negotiating period, or
14 something. In other words, Telecellular, Inc.
15 and Preferred have 30 days to work out a deal,
16 a contract, an agreement. And they don't do
17 that. But they--

18 Q Does Preferred have any licenses
19 at this point?

20 A Oh, yews. They have hundreds of
21 them.

22 Q And when did they acquire those?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 A January, February, March, April
2 1998.

3 Q Okay. And where did the money
4 come from for those? I think you told us but-
5 -

6 A No. They didn't have any money.

7 Q They actually got ownership of the
8 licenses, however?

9 A Yes; they did.

10 Q And how did they do that? Do you
11 know?

12 A Yes. I do. Well, see, at the
13 time the marketplace was--Nextel was offering
14 about 4- or \$5,000 cash, up front. In other
15 words, you sign a contract, Nextel would file
16 or transfer the license, and upon license
17 transfer they pay \$5,000.

18 Northside, which was where Pedro
19 Miranda was paying about \$5,000. The problem
20 for them was that all these people had bought
21 license applications for \$8,000, so they were
22 selling their license at a loss, and these

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 people were mad as hornets. And I knew a lot
2 of them. They were clients of Express. Or
3 Metropolitan, or all these other companies I
4 was familiar with.

5 I was very familiar with the
6 people who had the licenses. They were
7 clients or very much like the people that I
8 knew with Express. And they weren't going to
9 sell at a loss. So you had to offer them
10 either more cash--nobody was going to do that--
11 -or you had to either--you had to offer them
12 a greater amount of money paid out over time,
13 either in the form of a note schedule and/or
14 royalty interest.

15 So Preferred came up with the
16 idea, the greater of a note schedule payment
17 or a royalty interest upon the construction of
18 a major system in Puerto Rico.

19 So if you signed with Preferred,
20 you had the promise of making 50-, or 60-, or
21 \$70,000. It was going to take a long time but
22 sure beat getting paid \$5,000 today, and you

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 knew you were losing your money. You lost
2 your money on your application.

3 So Preferred went out in the
4 marketplace and signed up 360 licenses, and
5 their competitor signed up like five, cause
6 cash, threat of loss was not appealing.

7 So Preferred had hundreds and
8 hundreds of licenses under contract and
9 Telecellular, Inc. could have bought them, and
10 if they bought those licenses and done a few
11 other things, Telecellular, Inc. would have
12 been very successful.

13 But Mr. Winchell, who is an
14 attorney, a litigation attorney, and Carol
15 Isle, and the other people in Telecellular,
16 Inc. decide they don't need to buy the
17 licenses. They're just going to sue us. So
18 instead of purchasing the licenses from
19 Preferred, they sue Preferred, and they sue
20 Mr. Austin and they sue Mr. Bishop, and they
21 sue me.

22 I'm going, Come on, man. They

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 were under the mis-impression that by going
2 after me, and causing me great distress, that
3 these other guys were going to give up and
4 they'd get the licenses basically for free.

5 They didn't realize that they
6 didn't give a rat's behind about my butt.

7 So they sued Preferred and they
8 filed petitions to deny with the Federal
9 Communications Commission, and they hired
10 Bennett & Bennett, here, in town.

11 Q What was the petition to deny for,
12 or against?

13 A Well, Preferred was going to have
14 to--you had to transfer the licenses--

15 Q So these licenses hadn't all been
16 transferred to Preferred yet?

17 A No; not yet. Preferred was either
18 going to sell them Telecellular, Inc., sell
19 them to somebody else, or have to put them in
20 Preferred's name. Preferred didn't want to
21 put them--

22 Q Preferred did not own them at this

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 point?

2 A Not yet.

3 Q I see. Okay; go on.

4 Q You haven't--Preferred really
5 wanted to sell the licenses to someone, get
6 the money, and that was going to be--that was
7 it. That was the original intent of the
8 group. But there was nobody to sell them to.
9 So Preferred had to put the licenses in
10 Preferred's name, and take responsibility for
11 them and go forward.

12 I'm watching this going: Whatever!
13 You go any money? So basically Guskey puts up
14 enough money to pay David Kaufman, and they
15 file, transfer the licenses. Telecellular,
16 Inc. sues Preferred, sues us, files petitions
17 to deny against the license transfers, and
18 it's all based on character issues.

19 Preferred is unqualified to be a
20 Commission licensee because of me, and because
21 of Bishop. They sue in Texas. They sue us in
22 Iowa. They file petition to deny out the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 kazoo. And Guskey's sitting there, he's our
2 only source--he's Preferred's only source of
3 money. Excuse me.

4 I'm now--of course got fired from
5 Telecellular, Inc. At this point, it's May,
6 May, June, 1998. So I'm--

7 Q When did you get fired?

8 A May 26, 1998, actually. I'll
9 never forget this because I was told it'll be
10 "a cold day in hell" before Matt Austin or you
11 ever make any money miles before we do.
12 Really? That was June McNally who said that.

13 So June 1998, the U.S. probation
14 officer came knocking, she came to my front
15 door, she comes out to the house where I'm
16 living, storms in, tells me she's going to put
17 me back in prison. All the people at
18 Telecellular, Inc. are calling her up, every
19 single day, and telling her all bad things I
20 was doing,
21 which I'm like what bad thing we were doing
22 was not giving them the licenses.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 So--

2 MR. SILVA: If I could just
3 redirect--the question was what was the basis
4 of the petition to deny.

5 MR. OSHINSKY: Well, I think he
6 answered that. He said character issues.

7 THE WITNESS: Oh, yes.
8 Absolutely.

9 MR. OSHINSKY: Actually, what the
10 overall, the broader question was how did
11 Preferred come to be--how did PCI come to--

12 THE WITNESS: This is how--

13 MR. OSHINSKY: It's been answered.

14 THE WITNESS: This is how it came
15 to be.

16 BY MR. OSHINSKY:

17 Q Can you give us the name of your
18 parole officer?

19 A Oh, yes. I can do that. Sharon
20 D. Valenti.

21 Q All right. Go on. So at this
22 point Preferred is attempting to transfer the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 license, attempting to gain possession of the
2 licenses--

3 A Preferred files--I don't know the
4 technical term. You're transferring licenses
5 from one party to another. There's transfer--
6 transfer applications, I guess.

7 Q You're talking about a pro forma
8 transfer?

9 A No. Real--

10 MS. SINGH: Assignment
11 applications.

12 THE WITNESS: Assignment
13 application.

14 They were signing applications for
15 hundreds of licenses sitting at the
16 Commission. Their petition to deny against
17 hundreds of licenses transferring to
18 Preferred.

19 They filed a law suit in Texas.
20 I'm off working at a AT&T telemarketing center
21 at this point, cause the probation officer
22 scared the living crap out of me.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 BY MR. OSHINSKY:

2 Q What'd she tell you?

3 A "I'm going to put you in prison;
4 put you back in prison."

5 Q For what?

6 A For whatever. I got the power. I
7 can do it.

8 Q But she didn't tell you what--

9 A Because I was doing all these
10 fraudulent things with Preferred
11 Communications Systems, Inc.

12 Q And you're--why did you--what was
13 your understanding of why she approached you
14 back then?

15 A Because Mr. Winchell and Ms.
16 McNally, other people at Telecellular, Inc.
17 had called her on the phone and raised hell
18 with her.

19 Q Okay; go on.

20 A So I'm working at the
21 telemarketing center in July and August 1998.
22 As it turns out, Telecellular, Inc. had sued

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

1 Preferred and us. Mr. Austin and Mr. Bishop
2 were served through the secretary of state of
3 Texas. I don't know how it works. But
4 someone went out there with, you know, with a
5 complaint, and they didn't sign for it. They
6 thought the minute you signed for it, it was
7 okay. Of course it's not. They got served.

8 And Telecellular, Inc. got a
9 default judgment. And so they tell me this on
10 the phone, and they tell Chuck Guskey this on
11 the phone. We're like--You stupid--

12 So we're like, okay, now what?
13 Well, now we have to--they have to hire an
14 attorney, spend some money. And they wanted
15 to hire some really expensive law firm and,
16 you know, go through the bar association.

17 Chuck goes: No; no. We're not
18 doing that. We're going to hire a real law
19 firm. This is late October 1998. So
20 supposedly what was going to happen was Chuck
21 and I were going to go interview all these law
22 firms in Dallas. And so I called up all the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701